

BROKERED NATURAL GAS USE TAX
RCWs 82.12.022 and 82.14.230

Tax Base Natural or manufactured gas that is consumed within the state, if the supplier was not subject to the state public utility tax. The tax is measured by the value of the gas when delivered to the customer. It excludes costs of transportation if such costs were subject to the public utility tax; otherwise the tax includes charges for transportation of the gas to the customer.

Tax Rate State: 3.852 percent (the rate must be the same as the gas distribution rate under the state public utility tax).

 Cities: maximum of 6.0 percent (the rate must be the same as the city applies to natural gas businesses under the municipal utility tax).

Levied by State - RCW 82.12.022

 Cities - RCW 82.14.230

<u>Recent Collections</u> (\$000)	STATE TAX		
<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2001	\$30,669	106.7%	0.3%
2000	14,835	14.4	0.1
1999	12,968	24.2	0.1
1998	10,445	19.9	0.1
1997	8,708	14.0	0.1
1996	7,636	(3.8)	0.1
1995	7,938	28.4	0.1
1994	6,184	46.6	0.1
1993	4,219	41.2	0.1
1992	2,989	48.3	0.0

Recent Collections (\$000) CITY TAXES

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>
2001	\$6,737	63.2%
2000	4,128	25.4
1999	3,293	17.3
1998	2,808	30.4
1997	2,154	70.8
1996	1,261	316.2
1995	303	(34.6)
1994	462	(59.9)
1993	1,151	(10.1)
1992	1,281	81.2

Administration

Department of Revenue for the state tax. Cities contract with the Department for collection of the local utility taxes. Both state and local taxes are reported on a unique brokered natural gas tax return (Form #83 2512) which is filed quarterly; the return is due by the end of the month following the close of the quarter.

Distribution of Receipts

State tax - general fund

City tax - used for general purposes

Exemptions, Deductions and Credits

- natural gas that is subject to state or municipal utility tax is exempt from use tax.
- credit is provided for any taxes similar to the state or local public utility taxes or state or local "use" taxes paid in other states on the same natural/manufactured gas.
- deferral of the tax is allowed for direct service industries (DSIs) that purchase electric power from the Bonneville Power Administration if they construct and operate gas fired generating facilities. If the firm maintains previous employment levels, the deferred tax need not be repaid.

History

The state and municipal taxes on brokered natural or manufactured gas were adopted by the Legislature in 1989; the effective date of the taxes was July 1, 1990.

Discussion/Major Issues

The need for these taxes was a result of federal deregulation of the natural gas industry. Increasingly, large industrial and institutional users of gas have been able to make purchases of gas from sellers in other states through brokers; this enables large purchasers to take advantage of differentials on the spot market for natural gas. Although the gas may be delivered through the pipeline of a local gas company, the transaction is considered to take place out of state. Some utilities had been reporting retail sales tax on such sales and some purchasers had reported use tax, but there was confusion about the tax liability of such transactions until the Legislature enacted the 1989 statute.

There are approximately 200 taxpayers that report use tax on natural/manufactured gas. The Department currently administers the municipal use tax on natural/manufactured gas for 46 cities.